

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 91-609-C - ORDER NO. 92-311 ✓
APRIL 27, 1992

IN RE: Application of Lancaster Telephone) ORDER ADJUSTING
Company for an adjustment of certain) DEPRECIATION RATES
depreciation rates.)

On October 22, 1991, Lancaster Telephone Company (the Company) filed a request with the Public Service Commission of South Carolina (the Commission) seeking adjustment in certain depreciation rates. The request was filed pursuant to R.103-830 et seq. of the Commission's Rules of Practice and Procedure and S.C. Code Ann., §58-9-350 (1976).

By letter dated November 6, 1991, the Commission's Executive Director instructed the Company to publish a prepared Notice of Filing in newspapers of general circulation in the affected areas, one time. The purpose of the Notice of Filing was to inform interested parties of the nature of the request and the manner and time in which to file the appropriate pleadings for participation in the proceeding. Thereafter, the Company provided the Commission with proof of publication of the Notice of Filing.

A Petition to Intervene was filed by Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate).

On March 24, 1992, at 11:00 a.m., a public hearing was commenced in the Commission's Hearing Room, the Honorable Marjorie Amos-Frazier, presiding. M. John Bowen, Jr., Esquire, represented the Company; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; and Marsha A. Ward, General Counsel, represented the Commission Staff.

The Company presented E.L. Barnes, Chief Financial Officer, to explain the need for the requested changes and to present certain schedules and other information in support of the Company's depreciation request. Harry M. Miller, Jr., Chief Engineer, testified in support of the Company's request to increase depreciation rates on certain categories of plant. The Commission Staff presented David S. Lacoste, Utilities Engineer of the Telecommunications Department to provide information concerning Lancaster Telephone Company's proposed depreciation rates.

Witness Barnes testified that the Company is not requesting to increase any of its rates and charges to its customers. Mr. Barnes testified that the most significant proposed changes are proposed increases in the depreciation rates for digital switching equipment and metallic (twisted-pair copper wire) cables. Mr. Barnes pointed out that the switching equipment's useful service life is totally dependent on the pace of technological development. The remaining useful life of twisted-pair copper wire cables is being diminished by the accelerating transition to the broadband distribution systems required to remain competitive in today's environment, according to Mr. Barnes. Witness Barnes testified that the

Company's objective has been to avoid any deficiencies in its capital recovery rates that could adversely affect its subscribers or its shareholders. If depreciation accruals are inadequate, future ratepayers will be penalized with added costs that should have been borne by today's ratepayers, or alternatively, be denied the benefits of new technology because investments in older technology were not fully recovered on a timely basis. The Company is asking that the depreciation rates be approved effective January 1, 1991. Mr. Barnes sponsored Hearing Exhibit No. 1.

Mr. Miller's testimony was offered to support the Company's request to increase its authorized depreciation rates for certain plant accounts (See, Hearing Exhibit No. 2). Schedule 2 of Mr. Miller's exhibit sets forth Lancaster's proposed changes to depreciation rates. Witness Miller explained that the Company has had a digital central office in service since 1982. The system was installed to provide capacity for the growth of local service so that new investments would not be required in the older, nearly obsolete, electromechanical and/or analog electronic systems then in place. This system has been expanded several times. Mr. Miller testified that because of greater demands being placed on switching systems, upgrade activity in the form of equal access, enhanced operator services, customer calling features, and Centrex business services can only be expected to increase. Mr. Miller further outlined other areas of change that will impact telecommunications equipment viability. Mr. Miller sponsored Hearing Exhibit No. 3 which provided a depreciation analysis of the plant accounts

proposed to be changed.

Staff witness Lacoste sponsored Hearing Exhibit No. 4 which depicted the present and proposed depreciation rates for Lancaster Telephone Company by plant accounts as well as a state composite rate comparison. Mr. Lacoste testified that "the effect of these proposed changes will result in composite depreciation rates which we would still consider to be reasonable and within the range of rates previously approved by this Commission for similar types of plant." Mr. Lacoste recommended that the rates as proposed be approved.

Based on the Commission's review of the record and the evidence presented, the Commission makes the following findings:

1. That Lancaster Telephone Company is a South Carolina corporation owning and operating equipment and facilities for the transmission of intelligence for hire in this State and is a telephone utility within the meaning of S.C. Code Ann. §58-9-10(6), (1976) whose intrastate operations are subject to the jurisdiction of this Commission.
2. That the Company filed a request on October 22, 1991, with the Commission seeking an adjustment in certain depreciation rates.
3. That the Company is not seeking an increase in any of its authorized charges to its subscribers.
4. That the testimony and evidence of the Company witnesses and Commission Staff support the reasonableness of the proposed depreciation rates submitted by the Company.

5. That advancing technology in the telecommunications field, demand from the customers for additional or advanced services and the impact of the two factors on the Company have created the need for higher depreciation rates in many categories of telephone plant.

Based upon the above, the Commission concludes:

1. That the depreciation rates proposed by the Company and set forth in Appendix A are reasonable.
2. That such depreciation rates should be approved effective January 1, 1991.


IT IS THEREFORE ORDERED:

1. That the Company's proposal to increase its depreciation rates for various plant accounts is hereby approved for all plant accounts proposed.
2. That the depreciation rates approved herein shall be effective as of January 1, 1991.
3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


VICE Chairman

ATTEST:


Executive Director

(SEAL)

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APPENDIX A

DEPRECIATION RATES

<u>ACCOUNT</u>	<u>CATEGORY OF PLANT</u>	<u>APPROVED RATE (%)</u>
2112	Vehicles	12.0
2212.3	Digital Central Office & Remote Switching Eq.	9.5
2232.2	Trunk Carrier & Repeaters (Non-Fiber)	14.7
2232.4	Line Concentrator Equipment	16.0
2232.7	Fiber Optic Terminals & Regenerators	11.8
2411	Poles & Guy Wires	6.0
2421.1&9	Aerial Cable (Metallic) & Drop Wire	6.0
2422.1	Underground Cable (Metallic)	7.9
2423.1&9	Buried Cable (Metallic) & Drop Wire	7.0